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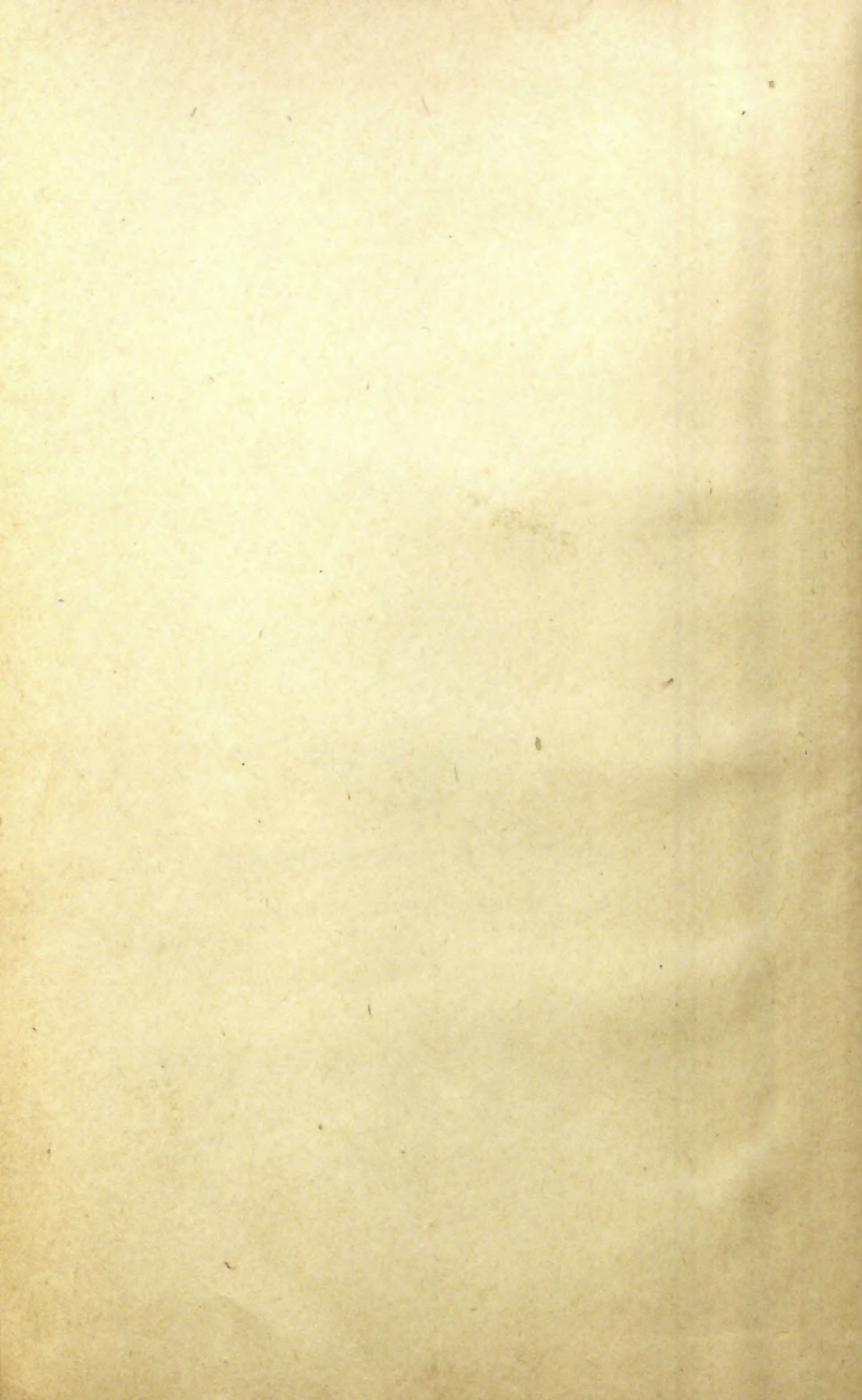
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Local Taxation.

SPECIAL REPORT

OF THE

LOCAL TAXATION COMMITTEE

THE RIGHT HON. H. H. FOWLER'S

REPORT ON LOCAL TAXATION

JUNE, 1893.

PRICE TWOPENCE.

PUBLISHED BY THE LOCAL TAXATION COMMITTEE

NORFOLK HOUSE, NORFOLK STREET, LONDON, W.C.

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LOCAL TAXATION COMMITTEE.



SPECIAL REPORT.

THE RIGHT HON. H. H. FOWLER'S REPORT ON LOCAL TAXATION.



1. THE one main object of the Local Taxation Committee has always been the Reform of Local Taxation, with a view to relieve owners and occupiers of houses and land from what are in very many cases excessive and unfair contributions to the Local Rates.

2. It has been constantly contended by the Committee that many objects paid for out of Local Rates are essentially national in their character, and that such expenditure should be borne by the general taxpayer.

3. They have further contended that the vast and rapidly increasing volume of personal wealth should no longer enjoy immunity from contribution to Local Rates, a contention which is now much strengthened by the fact that a very large portion of rateable property, viz., Agricultural Land, has fallen heavily in value, and is consequently less capable than hitherto of bearing burdens of taxation, whether Local or Imperial.

4. The Committee have always realised that if there are large adjustments of taxation requisite as between Real and Personal Property, there may be minor adjustments required as between different classes of Real Property; for example, as between Houses and Land; and they accordingly regarded with considerable interest the appearance of an Official Report on Local

Taxation which purported to have "especial reference to the Proportion of Local Burdens borne by Urban and Rural Rate-payers, and different Classes of Real Property in England and Wales."

5. Mr. Fowler's Report, which was presented on April 10th, 1893, consists of 50 pp. folio, is compiled with great skill, and presents, in the opinion of the Committee, features of such special importance, as to make it necessary that its contents should be thoroughly examined and considered in detail, so far as is possible within the limits of a Report of moderate length.

6. The Report is largely founded on Mr. Goschen's well-known and much-criticised Report of 1871; though a glance at their respective titles will show that Mr. Fowler's aims are not only different in character, but far more limited in scope, and cover only a small portion of the ground included by Mr. Goschen.

7. It is certainly remarkable that Mr. Fowler's Report, which closely follows Mr. Goschen's, and freely quotes facts, figures, and arguments therefrom, should make no allusion to the important circumstance that it is twenty-two years since that Report was written, and that Mr. Goschen has recently and repeatedly given the best possible evidence of his present views, by handing over to Local Authorities—in lieu of Government Subventions—Local Licences, a share of Probate Duty, and a part of the proceeds of Excise, producing together a far larger amount than the Subventions, on the ground that justice demanded that additional relief should be given to overburdened ratepayers.

8. Another remarkable feature in this Report is the constant repetition of the phrase "*Hereditary Burdens*," subject to which, Mr. Fowler says, "land has been bought, sold, and inherited during a long series of years." It is difficult to see why this doctrine applies to land only, and why it should not equally apply to houses, or, indeed, any other kind of property.

9. What constitutes hereditary burdens according to this Report? They would seem to be—

Firstly.—"Old Rates," which, by an arbitrary classification, are held to include Rates which have been levied for seventy

years and upwards—such as Poor, County, Church, and Highway Rates. These, it seems, are “Hereditary Burdens.”

Secondly.—“*Rates of very long standing,*” such as Lighting, Watching, Sewers, and Rates under Local Acts. These appear liable to be included as Hereditary Burdens.

But it is somewhat startling to find that—

Thirdly.—Rates which are formally set out in this Report as “*Modern Rates,*” or “*New Rates,*” are also liable to figure, at pleasure, as Old Rates; for Mr. Fowler says at page xvii., “So many years have elapsed since the County Police Rate was first levied, that it has practically, for many years past, ceased to be a New Rate in the ordinary acceptance of the term.”

10. According to this contention, “many years” have made the County Police Rate an “Hereditary Burden.”

How many years, it may be asked, are required to make a School Board Rate or Sanitary Rate, or any other Modern Rate, an Hereditary Burden?

If length of time and annual payment of Local Rates—if buying, selling, and inheriting, subject to such payment—constitute such a permanency of charge, as to set up an Hereditary Burden, why does not a similar doctrine apply to Consols, Mortgages, Securities, all of which have been dealt with “for many years” subject to Probate Duty, Legacy Duty, and Income Tax?

11. The extraordinary theory that if rates or taxes are only levied long enough they cease to be taxes, was thoroughly refuted by the late Mr. Dudley Baxter, who says:—

“Taxes are in their nature distinct and different from property. The State says to the taxpayer, ‘So long as the Legislature continues the obligation, you shall pay towards the public service a certain portion of your property and income.’ The State reserves the power to grant, and the taxpayer the right to ask, relief from the tax whenever it can be proved that the public service or justice to the Taxpayer no longer require it. A tax is essentially revocable and relievable.”

12. The Committee have thought it right to deal at some length with this matter, as it is evident that this constant harping on the one string—Hereditary Burdens—exhibits a bias, and must

have an object. If it means anything, it would seem to mean that Hereditary Burdens are no burdens at all, and are not to be considered as in the nature of taxes, and thus a foundation is laid, or attempted to be laid, so that in any future work of readjustment of Taxation—or equalisation of Death Duties—the builder of the new scheme may quote the authority of this official document, and may refuse to owners of Real Property any right of claim to set off their grievous burdens of Rates against the fact, that in the matter of Death Duties they escape somewhat lightly in comparison with Personal Property.

13. The general impression conveyed by Mr. Fowler's Report is, that it is not a mere record of facts and statistics, but is rather in the nature of a laboured argument, set forth with much ability for the purpose of establishing a foregone conclusion. From beginning to end the Report is marked by a tenderness towards the urban ratepayer. Every point which can be made to tell against the rural ratepayer is brought out into the highest light and repeated again and again, while the urban ratepayer is held up to pity as the victim—not of his own voluntary expenditure on ambitious street improvements, costly town halls, parks and pleasure grounds, museums, libraries, and institutes—but of circumstances over which he has little or no control.

14. In many respects the method of the Report will be found to be misleading. Comparisons are instituted between things not in themselves comparable. Omissions occur of matters of importance which certainly deserved to be recorded, whilst from time to time arguments and phrases are used betraying an animus which, however unintentional, detracts materially from the value of the Report as a sober record of fact.

15. The Report professes to deal specially with the "proportion of Local Burdens borne by Urban and Rural Ratepayers," and contains many comparisons of their varying amounts. Not one word, however, is said of the fundamental difference in the proportional incidence of Rates on a Farm, and Rates on a Shop or Factory. Casual observers may consider that a Rate is a Rate, and that, being levied on carefully ascertained Rateable Value, it

must, in the nature of things, be equal and fair to all property and persons assessed.

A typical case will readily dispose of this fallacy:—

A.: a YEOMAN FARMER owns and occupies Land, Houses, and Premises, Rateable value £300 per annum, paying the average Rural Rate of 2s. 3d., his Rates amount to	£33 15 0
B.: a TRADESMAN, having a capital equal to that possessed by A., owns and occupies Shop-House and Premises, Rateable value £30 per annum, paying the average Urban Rate of 4s., his Rates amount to	£6 0 0

So, notwithstanding that A.'s rate is only 2s. 3d. in the pound as against B.'s 4s., A. pays more than five times as much as B.

No just comparison is possible in such a case. A. is rated on the whole of his income. B. only on the Annual Value of the building in which he carries on his trade.

16. Mr. Fowler sets out (p. x.) the following respective Rateable Values and Debts of Urban, Partly Urban, and Rural Authorities, and states, "these figures indicate the extent to which local debt presses on Urban as *compared* with Rural Districts." (The amount of Rates has been added to the Table.)

Districts.	Rateable Value.	Rates (1891).	Debt.
	£	£	£
Purely Urban ...	98,837,721 ...	17,513,630 ...	152,956,943
Partly Urban and partly Rural ...	120,519,112 ...	8,196,339 ...	13,393,410
Purely Rural ...	53,278,287 ...	2,108,673 ...	3,906,859
		<hr/>	<hr/>
		£27,818,642	£170,257,212

But here, again, no fair comparison is possible. Rural Rateable Value is made up mainly of agricultural land, in respect of which little local debt exists, except comparatively small sums, either compulsorily incurred for School Boards, &c., or resulting from necessary outlay on Sewers and Water Supply.

17. But how stands the case in Urban Districts? The Urban Authority may have some small debt, similar to the Rural Authority, compulsorily incurred; but in addition to the necessary expenditure on Sewers and Water, they have borrowed freely for Street Improvements, for Electric Lighting, for Gas laid on to every house. They have also in many cases constructed with borrowed money magnificent Public Buildings, fine

Town Halls and Offices, Public Libraries, Museums, Institutes, Schools of Art ; they have Parks and Pleasure Grounds, Fire Brigades and Cemeteries, Baths and Wash-houses, splendid Markets, convenient Tramways and Ferries, handsome Bridges, Streets with the best of Wood Pavement ; Houses waited upon weekly by well-appointed dust carts, and from the very door-steps of which snow is now removed at the expense of the rates. Not to mention fine Board Schools, well furnished with pianos and other necessities.

18. Is it to be wondered at that the debt grows apace, and that—as these luxuries must be paid for somehow—the Rates exhibit a constant tendency to rise ? And would it not have been more fair that in an Official Report, purporting to deal specially with the “proportion of Local Burdens in Town and Country,” attention should have been directly, specifically, and pointedly called to the great differences which exist between Urban and Rural Local Expenditure ? Ought it not to have been stated that in towns provision is made, at the cost of the rates, for a host of domestic services, all of which are performed in country districts at the individual expense of occupiers ?

19. Mr. Fowler’s treatment of the Finance of Elementary Schools is, to say the least, somewhat peculiar.

The expenditure on the building of Board Schools and the rates for their maintenance naturally figure in urban accounts ; but the Report is silent as to the fact that in the vast majority of rural parishes the schools have been built and are maintained by voluntary subscription, and that if the £700,000 or so of annual voluntary subscriptions were to cease for a single year, a School Board Rate would at once be enforced, and up would go the Rural Rates with a bound, to say nothing of the debt which would in many cases have to be incurred for building. In the concluding portions of the Report dealing with *Parliamentary Subventions*, the recent Fee Grant for Free Education, stated for the year 1892-3 to be £1,940,000, is actually treated as an aid to Local Taxation apparently with the object of swelling the total Subventions, which to judge by the manner of their mention, are not regarded with favour by the writer of the Report.

20. The question of Church Rate is here dealt with in a some-

what similar fashion. True, its abolition is mentioned as one of the causes of reduced rates : but it would have been more fair to have added that the necessary funds for maintenance of fabric and other outgoings previously paid by means of a Church Rate have now to be provided by voluntary local effort. The burden still remains, and is frequently met by means of a voluntary rate, of which, however, no account is officially taken.

21. With reference to the abolition of Turnpikes, no allusion is made to the fact that the direct result has been largely to relieve certain classes of the community who make the greatest use of the roads, such as brewers, hauliers, timber merchants, and others ; while instead of compelling those who use the roads to pay for them, an additional burden is laid on the ratepayer.

22. Turning to the historical portion of the Report, much will be found to invite criticism.

The table of Rural Rates at different periods shows the average amount to have been as follows :—

	s.	d.
1803	4	5½
1813-15	3	1¾
1826-27	3	8
1868	2	7
1890-91	2	2½
Fall in 90-91 compared to 1868	0	4½
Fall in 90-91 compared to 1803	2	2¾

And comparison is made accordingly, irrespective of three important points which combine to make any comparison wholly illusory, but none of which are mentioned in the Report. These points are :—

(a) From 1803 to 1834 the Old Poor Law, with all its wastefulness and abuses, so graphically described in the celebrated Report of the Poor Law Commission recently reprinted, was in full force. Some measure of the extravagance of that period is found in the following figures :—

Total amount of Poor Rate levied in England and Wales was in 1833	£8,606,000
In 1838 it had fallen to	5,186,000
Average Rate in the £ of the Poor Rates in 1827 stood at	2s. 5¾d.
Reduced in 1841 to	1s. 6¼d.

(b) From the beginning of the century to 1836 the general practice was to place Assessed Value at not more than half the

real value, and even after the passing of the Parochial Assessments Act, 1836, it was some years before the Assessments generally were brought up to the real value.

It is evident that the operation of thus raising the Assessment would naturally diminish the amount in the pound of the Rate to be levied, without in any way altering the actual contribution or relieving the burdens of the ratepayers.

(c) It must, also, never be forgotten, in comparing the present burdens on Agricultural Land with those in the early part of the century, that, up to 1846, Protective duties were in full force. The value of agricultural produce was thus naturally enhanced, and taxation which might have been fair under such circumstances would now be quite unjust and indefensible.

23. The Committee contend that these three points, when fully and fairly considered, entirely destroy the value of any argument which may be based on the figures quoted, to the effect that the burden of Rural Rates has been materially reduced.

24. Too much reliance must not be placed on Mr. Fowler's figures, brought up as they are to the year 1890-91, as it is highly probable that the figures for 1892-3 would show very different results, for the following reasons :—

(a) The receipts from share of Probate Duty accruing to Local Authorities were stated by the Chancellor of the Exchequer in his Budget speech to show a falling off of no less than £426,000 for the year 1892-93.

(b) There is every reason to believe that the expenditure on Main Roads will be found in many cases to show very considerable increase, and will thus affect the County Rate.

(c) It will frequently be found that existing Assessments on Agricultural Land are too high, being based on Paper Rents, which are considerably in excess of Rents actually received.

Temporary abatements are of frequent occurrence, and in many instances, if land were assessed on the basis of profits derived from its cultivation, the Gross Rateable Value would be materially reduced, and in many cases entirely disappear.

It is even possible that these Paper Rents and Values may remain for some time unchanged. Many farmers and landowners hesitate to go before an Assessment Committee and proclaim the absence of profit or fall in the value of their land.

The occupier has his credit to maintain, whilst a landowner, possibly subject to mortgages, might consider it undesirable to exhibit the misfortune of a falling rent.

25. Considerable stress is laid in the Report on the fall in the £ of the poor rate, within the period 1868 to 1890-91. According to a table on p. xxx., this fall ranges in amount from 1s. 2·6d. in Sussex, to 1·7d. in Staffordshire. It is, as a matter of fact, difficult to draw any sweeping conclusion from this table, though Mr. Fowler hastens to state that "it discloses that the greatest falls have taken place, speaking generally, in the purely agricultural counties." On the following page of the Report a table is given showing the increase per cent. of the Poor Rate Valuations of 1890-91, as compared with those of 1867-8, and it is remarked that "the extent to which the rateable values of some of the Agricultural Counties has been increased is noteworthy." It is obvious that the one fact explains the other—the rise in rateable value would naturally tend to reduce *pro tanto* the rate in the £. But the singular comment is made that these figures indicate "an increase in the rateable value of houses and other properties contributing to the local rates *in aid of the lands*," a statement which seems to involve the curious assumption that it is land—and land only—which ought to be rated, and that it is an act of special grace when houses and other properties bear any share of Local Rates!

26. Referring, however, to the table last mentioned, it does not seem to have occurred to the writer of the Report that the poor rate is levied not by Counties but by Unions, and that the extension of a large town may greatly increase the rateable value of a particular Union without affecting in any way the other Unions in a County, or reducing their rates in the £ one fraction.

27. Take the case of Sussex, which heads the list as the county showing the greatest fall in the poor rate, viz., 1s. 2·6d. in the £ during the period of 1868—1890-1. But this is at once accounted

for by the increase of 61·5 per cent. in the rateable value. On turning to Appendix A, Table VII., it will be seen how misleading these figures are when used in comparison between rural and urban rates. The Return by Unions for the County of Sussex shows that in the Union of Brighton the decrease of rates was 2s. 2·5d. in the £, while in the Union of West Hampnett in the same county, there was not only no decrease, but an actual increase. The misapplication of figures can surely no further go when the decrease of rates paid by the lodging-house keepers and wealthy residents of Brighton is claimed as relief given to agriculture.

28. Under the heading "Proportions of Local Taxation borne in 1891 by Land, Houses, and other Property," the Report gives the total amount of Rates falling on Land, Houses, and other Property respectively, and concludes a comparison by stating at p. xl. with regard to Land that the sum (£4,259,473) "is equivalent to a rate of 2s. 0·2d. in the £ on the gross annual value of 'Lands' according to the Income Tax Valuation for the year."

For some reason or another the figures are not worked out in the Report for "Houses" and other Properties, but completing the calculations and rectifying this omission, the following results appear :—

	Total Rates.		Income Tax Valuation.		Rate in the £.
	£		£		s. d.
Lands... ..	4,260,000	...	42,234,000	=	2 0·2
Houses	17,500,000	...	123,721,000	=	2 9
Railways and other Properties	3,998,000	...	43,598,000	=	1 10

29. It will be seen, therefore, that on this basis—an arbitrary one, no doubt, but one which Mr. Fowler himself selects—Incomes from Houses pay a rate in the pound of only about 27 per cent. more than Land, while Incomes from Railways and other properties pay about 10 per cent. less. When it is remembered that the Rateable Value per head of population, as stated in this Report, is £6 10s. in Rural Districts, as compared with only £4 5s. in the Urban Districts, it will be seen that these figures are very far indeed from supporting Mr. Fowler's favourite contention that land is lightly rated in comparison with other classes of property. This is quite apart from the fact previously alluded to, that in Urban Districts a very

large proportion of the expenditure out of the rates is devoted to objects from which the ratepayer obtains direct gain or benefit, while in the rural districts, speaking generally, the ratepayer obtains little personal advantage from the rates.

30. In dealing with an official document of such length and importance—replete with figures, statistics, and calculations—the Committee are well aware that there are many other points which might have been touched upon, and that their work of criticism must not be considered as complete. Admitting the useful information contained in the Report, they have thought it their duty to lose no time in drawing attention to its more prominent features, emphasising the several arguments and serious omissions which make what might otherwise have been a valuable Report very misleading.

R. H. PAGET,

Chairman.

June 8th, 1893.

